

**Missouri Farm Bureau
March 18, 2008**

**Thomas Dorr
Under Secretary for Rural Development
Brief Remarks**

Good morning, and welcome to Washington. And thank you, Charlie, for that very generous introduction. It is a pleasure to be with you.

There is a lot we could talk about today. But I am a realist, so let me begin with the bad news. There's no point sugar coating it.

Yes, I know farm income is at a record high. Farm exports are at a record high. Commodity prices are strong. Those things are important eleven months of the year.

But this is March. When all is said it done, it's still a fact that neither Iowa nor Missouri nor Iowa State are in the tournament, or even close.

My friends, we have problems. So I guess you picked a good week to come to Washington and get away from the grim reality back home.

Unfortunately, coming to Washington may be a matter of getting out of the frying pan and into the fire. I refer, of course, to the Farm Bill.

I have been watching Farm Bills for more than 30 years ... mostly from the cheap seats. This is my first service in government and therefore my first experience with a Farm Bill from inside USDA and inside an Administration. It has been an education.

More than three years ago, President Bush directed then-Secretary Mike Johanns to get ahead of the debate. One result was the Farm Bill listening forums that were held across the country in 2005. At the same time, the farm groups and other stakeholders were engaged early.

This process ... according to the old-timers ... was probably the most collaborative, grassroots-up Farm Bill prep that any Administration has ever mounted.

At the end of it, 14 months ago, the President rolled out a carefully crafted proposal that both strengthened and reformed the safety net. The President was determined to take the bullseye off farmers' backs. He proposed to cap eligibility for farm programs at an Adjusted Gross Income of \$250,000.

He also proposed to reduce trade distorting subsidies subject to challenge under WTO rules. This is important. Farm exports are at a record high. The world's fastest growing markets for agricultural products are China, India, and other rapidly emerging nations.

That's the future, and we can't afford to be shut out of it ... not when we're exporting almost 30% of everything we grow.

In addition the President proposed significant new investments for renewable energy ... rural infrastructure ... rural health care ... conservation ... nutrition ... specialty crops, fruits, and vegetables ... and beginning farmers ... the next generation.

The President did all of this within the budget, without budget gimmicks, and without tax increases. Yet here we are fourteen months later ... six months after the expiration of the old Farm Bill ... operating on yet another one-month extension ... with the clock ticking. Meanwhile Congress has blown through the budget ceilings and, at the same time, has walked away from reform.

The President has gone the extra mile. He's agreed to accept a higher AGI cap. He's agreed to accept \$10 billion in higher Farm Bill spending provided that it is offset elsewhere. He has offered Congress a number of budget offsets that he would accept and that would do the job.

But recent Senate proposals are still \$22 billion over budget while the House and Senate are still calling for tax increases.

It would still be premature to call this a train wreck ... but we are reaching the stage where it's a train wreck about to happen.

The President is still committed to passing a strong Farm Bill with a strengthened and reformed safety net, with new investment across a wide range of priorities, and without new taxes.

But the President also recognizes that farmers need a reasonable degree of predictability and stability in farm policy. An endless series of one month extensions is not good policy.

So the President is ready to fish or cut bait. He has told the Congress ... if it can't produce a Farm Bill he can sign in the next month ... that he would favor a one year extension of the current Farm Bill.

We're down to the last round. I can't tell you what to do ... but I will say that it's time for people to decide if they want a Farm Bill this year. Your Congressmen are home on recess. Let them hear from you.

That said, the Farm Bill fortunately isn't the only game in town. For USDA Rural Development, in fact, the Farm Bill debate doesn't really change our priorities.

Don't misunderstand me here. The Farm Bill is important to us too. The President proposed important new initiatives, as I mentioned before ... for rural Critical Access Hospitals ... for renewable energy ... for reducing the backlog of applications for water and waste disposal systems ... for Distance Learning and Telemedicine projects and other priorities. So we have a significant stake in the new Farm Bill.

But in a broader sense, all of these things were in fact already priorities for us ... and they will continue to be priorities, regardless of the final action, or inaction, on the Farm Bill.

The difference for us is that the President's Farm Bill proposal would provide us with substantial additional mandatory funding in these areas in addition to what we receive through the normal budget process. It would streamline our programs and increase our lending flexibility.

Still, with or without a new Farm Bill, we will remain committed to these areas. I'd like to comment especially on two priorities that I know are of interest to you.

The first is rural broadband. As you know, this is a game changer. It is the central nervous system of what we have been calling "the Rural Renaissance." It is a top priority for the President, and for us.

When information moves at the speed of light ... when rural businesses have real-time access to technical, financial, legal, and marketing data ... when the world is just a click away ... the old rural barriers of time, distance, and isolation have been altered almost beyond recognition.

When you visit a place like Viking Range ... an internationally recognized industry leader located in a town of fewer than 20,000 people in the heart of the Mississippi Delta ... you realize things have changed.

When you witness a telemedicine demonstration ... in which medical center technology and expertise is being shared in real time via broadband with remote clinics from Minnesota to Mississippi to Appalachia ... you realize that rural no longer means doing without.

When you visit a custom steel fabrication shop in the middle of an Iowa cornfield ... a shop that takes orders and specifications online, loads everything into a computer, cuts by laser, and ships out overnight anywhere in the world ... you begin to realize there's virtually nothing we can't do in rural America today.

And when folks like my mother back home in Marcus, Iowa, have gotten addicted to ordering books at Amazon and taking delivery from UPS two days later, you realize that what was cutting-edge just a decade ago is now as mainstream as apple pie. The Rural Renaissance isn't somewhere over the horizon. It's here and it's moving fast.

Broadband is indeed transformative. Broadband and distributed computing enable distributed networks to compete. They give every rural business a window on the world. They enable rural communities to leverage their advantages of location and lower costs.

And they are catalyzing the growth of whole new industries ... rural industries ... based on distributed resources and predicated on the ability, through distributed computing, to manage complexity and integrate seamlessly with distant vendors and markets.

We have been climbing a steep learning curve on deploying rural broadband. Part of the problem is that we're shooting at a moving target. The technologies are moving very fast.

We have proposed new regulations for the broadband program that we hope will step up the pace. There is also Farm Bill language that may influence the result.

Right now, if you look at broadband in rural America it's still a patchwork quilt. We're filling in the gaps. We will get it done.

A second priority is renewable energy. I'll skip the details. You already know them. Prior to coming to Washington, I spent 30 years growing corn, soybeans, and hogs in Cherokee County, Iowa. There are differences between Iowa and Missouri ... we have a lot more corn ... but the impact on agriculture of renewable energy, especially biofuels, is familiar to all of us.

Those impacts are going to continue. The President last December signed a 36 billion gallon Renewable Fuels Standard that requires an increase in ethanol production of 500% by 2022.

That's on top of the quadrupling of production that we've already achieved since 2000.

Cellulosic ethanol is moving into production. The first six commercial scale demonstration plants are being built right now. If they hit their projected price points, hang on for the ride.

At the beginning of this decade, the U.S. produced just 2 million gallons of biodiesel. Last year we produced 450 million ... second in the world.

The U.S. leads the world in ethanol. We lead the world in bringing cellulosic ethanol to market. We lead the world in genomics research to pioneer next generation feedstocks.

It doesn't end there. Renewable energy is more than biofuels. The U.S. leads the world in geothermal, in waste-to-energy, in solar thermal.

Wind power accounted for 30% of new U.S. electric generation last year. We have led the world in new installed capacity the last three years running. At the current rate, we will overtake Germany as the overall leader in wind power by the end of next year.

Nor is this just a U.S. story. Last week, just across town at the Convention Center, the United States hosted WIREC 2008, the Washington International Renewable Energy Conference.

Over 100 countries sent delegations to the Ministerial portion of the Conference. Nearly 5,000 people attended a co-located tradeshow. Between the two, WIREC was the largest renewable energy conference ever held anywhere in the world.

There is no question ... in the face of \$100 oil and growing concerns about greenhouse gas emissions ... that the renewable energy revolution is here to stay.

My message ... and frankly the message we heard from around the world at WIREC ... is simply that the renewables revolution is real ... that it's sustainable ... and that it is an historic opportunity not just for farmers, but for everyone living and working in rural America.

That doesn't mean there won't be surprises. There will be. There always are. It also doesn't mean there won't be bumps along the way.

- Commodities are being revalued in world markets. Biofuels are part of the story. So is explosive growth and increasing food demand in China, India, and elsewhere.**
- Markets will adjust, but it won't always be easy. Livestock producers and other downstream consumers will have to adapt. This, in fact, is already happening.**

- **In addition, as the biofuels industry matures, there will be consolidations and shakeouts. This may be happening right now.**
- **We will face other transitional issues. We need more E85 pumps and more flexfuel vehicles on the road. We need to solve the logistical issues involved with moving ethanol from the heartland to the coasts.**
- **There is a regulatory challenge. We need to resolve the blend wall issue. We need to integrate distributed wind and solar power into the legacy grid ... and develop regulatory and pricing models to accommodate new patterns of ownership and distributed production.**
- **If carbon sequestration becomes marketable in the U.S., that will be yet another opportunity for farmers ... and another regulatory and modeling issue for federal, state, and local governments.**
- **All of this presents a challenge ... and an opportunity ... for traditional rural lenders, to step up and finance the buildout of not one but several new industrial infrastructures in rural areas.**

- **It is a challenge as well for state and local authorities to address the environmental issues ... the land use, permitting, and logistical issues ... the workforce development and training issues ... involved with significant new industries.**

So there is plenty of work here to go around, and plenty of opportunity. It has taken 140 years to develop the physical, financial, and social infrastructure that make up today's extraordinarily efficient oil industry. We can't expect to build the renewables economy overnight.

But I do know it won't take 140 years. In a world in which oil costs \$100 a barrel, the fact that calories and BTU's are fungible is irrepressible. In the long run, markets rule.

Agriculture is moving from a food-feed-fiber basis to food-feed-fiber-and fuel, and the wind and sun are becoming harvestable resources as well. This is an opportunity for all of us. It's a new ballgame. We look forward to helping make it happen. Thank you.